

## Message Text

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PAGE 01 LIMA 03839 042310Z  
ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 AGRE-00 COME-00 TRSE-00 /023 W  
-----021737 050259Z /66

R 042144Z MAY 78  
FM AMEMBASSY LIMA  
TO SECSTATE WASHDC 9876

UNCLAS LIMA 3839

E.O. 11652: N/A  
TAGS: EALR, EFIN, ECON, PE  
SUBJECT: LIMA CONSUMER PRICE INDEX - MARCH 1978

REF: LIMA 2555

1. SUMMARY: THE CONSUMER PRICE INDEX (CPI) FOR THE GREATER LIMA AREA FOR MARCH 1978 INCREASED 2.49 PERCENT OVER FEBRUARY 78. THIS IS DOWN FROM THE 7.46 PERCENT AND 5.0 PERCENT IN THE CPI EXPERIENCED IN JANUARY AND FEBRUARY, RESPECTIVELY, BUT THE 12 MONTH MOVING AVERAGE FROM MARCH 1977 TO MARCH 1978 WAS 38.5 PERCENT. END SUMMARY.

2. THE CONSUMER PRICE INDEX (CPI) NUMBER FOR THE GREATER LIMA AREA FOR MARCH 1978 WAS 343.69 (1973 - 100.00). THIS REPRESENTS AN INCREASE OF 2.49 PERCENT FROM FEB. 1978, AND AN INCREASE OF 15.63 PERCENT FROM DEC. 1977. BY COMPONENTS, THE MARCH CPI INCREASES WERE AS FOLLOWS: 1.17 PERCENT FOR FOODSTUFFS AND BEVERAGES, 2.47 PERCENT FOR HOUSING AND HOUSEHOLD GOODS, 5.03 PERCENT FOR CLOTHING, AND 4.25 PERCENT FOR MISCELLANEOUS.

3. SINCE DECEMBER 1977, THE FOODSTUFF-BEVERAGES COMPONENT (WHICH ACCOUNTS FOR 43.25 PERCENT TOTAL CPI) HAS INCREASED BY 18.61 PERCENT. OTHER COMPONENTS HAVE INCREASED AS FOLLOWS: 11.48 PERCENT FOR HOUSING AND HOUSEHOLD GOODS, 11.65 PERCENT FOR CLOTHING, AND 14.60 PERCENT FOR MISCELLANEOUS.

UNCLASSIFIED

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PAGE 02 LIMA 03839 042310Z

4. INCREASES IN THE CPI REGISTERED FOR THE PAST SIX MONTHS HAVE BEEN AS FOLLOWS: 1.05 PERCENT IN OCTOBER 1977, 1.47 PERCENT IN NOVEMBER 1977, 1.09 PERCENT IN DECEMBER 1977, 4.46 PERCENT IN JANUARY 1978, 5.00 PERCENT IN FEBRUARY 1978, AND 2.49 PERCENT IN MARCH 1978. THE AVERAGE CPI NUMBER FOR THE FIRST QUARTER

OF 1978 IS 13.33 PERCENT HIGHER THAN FOR THE FOURTH  
QUARTER OF 1977, AND THE AVERAGE CPI NUMBER FOR THE  
FOURTH QUARTER OF 1977 WAS 4.37 PERCENT HIGHER THAN  
FOR THE THIRD QUARTER OF 1977. ON THE BASIS OF  
12-MONTH MOVING AVERAGE, THE CPI FOR THE 12-MONTH  
PERIOD ENDING MARCH 1978 IS 38.46 PERCENT HIGHER THAN  
SAME PERIOD ONE YEAR EARLIER.

5. COMMENT: WE HAD EXPECTED A SUBSTANTIAL PRICE  
INCREASE - OF THIS MAGNITUDE OR EVEN A LITTLE HIGHER  
FOR THE FIRST QUARTER IN VIEW OF THE SIXTY PERCENT  
INCREASE IN THE COST OF IMPORTED GOODS (ARISING FROM  
THE OCTOBER-DECEMBER DEVALUATION FROM 80.88/\$ TO  
130/\$) AND THE JANUARY ROUND OF INCREASES IN WAGES,  
PETROLEUM PRODUCTS, AND BASIC FOODSTUFFS. WE EXPECT  
THAT SECOND QUARTER CPI MOVEMENT WILL BE LESS THAN DURING  
FIRST QUARTER - PROBABLY ON THE ORDER OF TWO TO FOUR PERCENT  
PER MONTH. HOWEVER, MANUFACTURING SECTOR FIRMS ARE  
CURRENTLY PRICING ON BASIS OF S/.150-160/\$ (EVEN THOUGH  
THE CD RATE IS PRESSING S/.200/\$) AND THESE INCREASES  
MUST INVARIABLY WORK FORWARD TO THE RETAIL LEVEL. A TWO  
PERCENT PER MONTH RATE OF INCREASE IN THE CPI  
THROUGH THE SECOND AND THIRD QUARTER WOULD PLACE THIRD  
QUARTER CPI AVERAGE 34.9 PERCENT ABOVE LEVEL OF THIRD  
QUARTER 1977, AND A FOUR PERCENT PER MONTH RATE OF  
INCREASE WOULD PLACE IT 48.7 PERCENT ABOVE THIRD  
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PAGE 03 LIMA 03839 042310Z

QUARTER 1977.  
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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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